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R E P O R T

NO. 24B
June 22, 1984

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Steel Wins Round One in Fight for Quotas

Bethlehem Steel Corp. took a calculated risk in late January when it broke ranks with other U.S. steel mills and petitioned the president to impose quotas on foreign steel under Section 201 of the 1974 Trade Act. A negative injury decision by the International Trade Commission (ITC), analysts cautioned at the time, could jeopardize favorable congressional consideration of an industry-supported quota bill. United States Steel Corp., the top U.S. maker, warned that the escape-clause investigation might tempt the European Community to end its restraints on steel exports to the United States or cause Japanese exporters to abandon their informal shipments curbs.

Bethlehem's gamble paid its first returns June 12. By a 3-to-2 vote, the ITC concluded that increasing imports in five major product lines are a substantial cause of the U.S. steel industry's serious problems. Found to be injuring domestic mills were semi-finished products (ingots, blooms, billets,

increased lending by international financial institutions can make a critical difference -- a view held by many other nations including Japan. The solution to the debt crisis will be slow and painful in coming, he has pointed out, and governments must provide the patience and distribute the pain in order to reach that goal.

Mr. Volcker's remarks may play a role in smoothing out U.S.-Japan disputes in the coming months. Meanwhile, the Japanese have found the Fed official an unexpected ally. While the administration may stick to its "no-link" position on deficits and interest rates in an election year, the financial markets took Mr. Volcker's comments seriously, and securities and bond markets were rattled by his somber warning. The debate on these issues is unlikely to calm down before the election, and leaders on both sides of the Pacific might give Mr. Volcker's words careful consideration.

Jon Choy

Japanese Unions Sign Wage Settlements for 1984

Summer usually signals the conclusion of wage contract negotiations in Japan. This year, the spring offensive brought meager gains for labor despite the recovering economy. According to survey data from Nihon Keizai Shimbun (see table below), 1,542 leading companies gave their employees an average 4.50 percent wage hike, which translates into an extra Y9,262 (\$40.27) per month. In percentage terms, 1984's average settlement fell a shade short of last year's 4.53 percent average; in yen terms, it added Y233 more to workers' paychecks.

Japanese Wage Settlements for 1984

(average monthly wage increase in yen and percentage increase)

Industry:	1984		New Monthly Standard Wage	1983	
Energy	Y9,959	4.35%	Y228,561	Y9,508	4.24%
Metals	6,956	3.21	216,170	6,742	3.19
Electronics/Electrical	9,479	4.99	189,679	8,981	4.88
Information	13,079	5.50	237,396	13,167	5.74
Machinery	9,466	4.59	206,079	9,354	4.68
Environment	9,120	4.41	206,441	8,946	4.45
Automobiles	9,255	4.82	191,820	8,996	4.86
Shipbuilding/Defense	7,097	3.28	215,853	6,896	3.30
Transportation	10,036	4.52	221,963	9,443	4.38
Chemicals	10,156	4.67	217,378	9,724	4.63
Textile/Paper	8,476	4.52	187,261	7,909	4.33
Food	9,913	4.81	205,990	9,859	4.95
Services/Leisure	10,151	5.23	194,018	9,665	5.24
Housing/Construction	9,673	4.19	230,448	10,274	4.61
Trading	5,410	2.40	224,773	5,683	2.59
Consumer Retailing	8,694	4.64	187,360	8,656	4.81
Securities	9,044	4.93	183,437	10,065	5.70

Source: Nihon Keizai Shimbun

While labor unions were cowed by the recession last year, the general recovery at home and abroad reawakened their hopes for substantial wage gains. The major labor unions sought an average 6 percent increase, with individual labor unions asking for raises of 5 to 10 percent. Unions tried to seek realistic goals after their embarrassing 1982 experience when they sought an average 8 percent raise and settled for about half (see JEI Report No. 16B, April 20, 1984).

Business leaders countered union demands by arguing that steady prices (the consumer price index rose only 1.9 percent in fiscal 1983) and a precarious recovery (one still strongly reliant on the external sector) made it unwise to raise wages substantially. The steel workers' record-setting low 3.11 percent raise had a chilling effect on all subsequent negotiations, dashing labor's hopes for a prosperous year.

The distribution of wage increases by industry reflects the skewed recovery: metals and shipbuilding firms offered wage hikes of just over 3 percent; machinery and electronics companies gave 4.5-5.0 percent increases; and information and services concerns raised salaries 5 percent or more. In yen terms, hikes of Y10,000-Y11,000 were approved by just 14 percent of the surveyed businesses; raises of Y9,000-Y10,000 were given by 26 percent of the establishments; and settlements of Y8,000-Y9,000 resulted in 20 percent of the negotiations.

The economic impact of a second year of low wage increases is not promising. In fiscal 1983, consumer spending by wage earners rose just 0.6 percent, as opposed to a 2.7 percent gain in fiscal 1982 and a 1.2 percent rise in FY 1981. This tiny gain was a direct result of low 1983 wage settlements, which pushed real income up by just 1.5 percent (as opposed to 3.9 percent in FY 1982). While the spreading recovery may encourage consumers to loosen their purse strings, the low 1984 wage settlements will mean that those purses will not be bulging.

Jon Choy

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The views expressed in this report are those of the authors and do not necessarily represent those of the Japan Economic Institute.

June 29, 1984/A Not Filmed